

**TESTIMONY OF
SALVATORE LUPOLI
PRESIDENT
SAL'S PIZZA INC.
AT A HEARING BEFORE THE
COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP
U.S. SENATE
ENTITLED
"IMPACT OF RISING GAS PRICES ON AMERICA'S SMALL BUSINESSES "**

JUNE 14, 2007

Thank you Chairman Kerry, Ranking Member Snowe, and members of the committee, my name is Sal Lupoli, and I am the owner of Sal's Pizza Inc., a family-owned business, established in 1990, located in Lawrence, Massachusetts. My company has 30 retail pizza franchises, 2 upscale restaurants and a central commissary which sells pizza to supermarket chains and school districts throughout New England. I also am a board member of the Merrimack Valley Chamber of Commerce, Workforce Investment Board and many community organizations throughout the Merrimack Valley area in Massachusetts.

I would like to thank you for inviting me to testify today regarding the impact of rising gasoline prices on small businesses, particularly mine. I am very grateful that you are cognizant of the negative effect that increasing gasoline prices are having on small businesses across the country and that you are seeking to address it. Whatever the cause, the volatile and increasing price of gasoline is wreaking havoc on America's small businesses.

In the day-to-day operation of my small business, I have as many as 30 delivery trucks and five management vehicles on the road at any point in time. Every day my company makes deliveries of fresh ingredients or product to various supermarkets throughout New England, 30 franchises retail stores and school districts. Obviously, these trucks fall into the category of non-fuel efficient vehicles. Unfortunately, there is no affordable alternative to this choice.

Currently, the cost of gasoline in the Merrimack Valley area varies from \$2.80 per gallon to \$3.09 for regular gasoline per gallon—this is from a low of \$1.98 per gallon late last year. This sudden and unpredictable 50 percent increase hits directly at the bottom line of my business—and countless others.

Rising fuel costs have a direct impact on my means of delivery for my product, but also impact other aspects of my business. For instance, the impact on my employees is tremendous. Many of my employees have low to modest means; live in low income areas such as Lawrence, Massachusetts and towns and cities throughout the Merrimack Valley. Many employees drive their cars to work. Often I am faced with employees that are unable to afford gasoline for their cars and face a day or days out of work as a result. Often one of my staff or I has to pick them up,

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Sal's Pizza

which can further disrupt daily business operations. We encourage car pooling and public transportation, but these options are not always enough or available in the town of their residence.

Another area in which rising fuel costs have an impact is my customers and their expendable income. I have seen a decline in sales when gas prices increase, only to see business pick up when gas prices go down. A family that I would generally see on a weekly basis for a Friday night Pizza is now in my store twice a month. Customers in my restaurants that I see three times a week may only come to my restaurant once a week when gas prices spike. My business as any retail business competes for expendable income dollars. I compete for the consumer dollar when families make a choice between fixing the leaking faucet and taking the family out to a nice meal at my restaurant. When gas prices are high the American small business loses.

In addition the direct impact rising gas prices has on my business is immeasurable. Although my company has moved its corporate offices to Lawrence, Massachusetts and into a renovated mill building along with other businesses, which are my tenants, with over 240,000 square feet of office space I found it extremely expensive to heat my building during the winter months and pay for increasing electricity bills for cooling in the summer months. I was forced to consider and chose to install solar panels on the roof of my mill as an alternative to traditional fossil fuel energy. Solar energy helps defray some, but not all costs and has yet to make a significant impact to my over all operation.

In order to maintain a level of profit in my operation, I have no alternative but to pass the cost of rising gasoline onto my customers whenever possible and often try to absorb the costs when I can. On most deliveries, we have been forced to include a fuel surcharge on our delivery invoices. I am not alone in rising prices whenever possible. According to a 2006 NSBA small-business, energy survey, of the businesses that reported passing along their increased energy costs to customers, 65 percent increased their prices, 47 percent reduced their amount of business travel, and 18 percent reduced their workforce. The ramifications of rising gas prices reverberate throughout the entire economy.

This concludes my testimony. Thank you again for inviting me here today and for recognizing the threat rising and volatile energy prices pose to America's small businesses. As you seek to address America's oil dependence, the shortcomings of its national energy policy, and global climate change, I hope you will continue to keep America's nearly 26 million small businesses in mind. I thank you for your time and welcome any questions.